**Congress of the United States**
**Washington, DC 20515**



July 3, 2018

The Honorable Robert Taub
Chairman
Postal Regulatory Commission
901 New York Ave., NW
Suite 200
Washington, DC 20268

Re: Docket No. IM2018-1

Dear Chairman Taub:

We appreciate the Postal Regulatory Commission (PRC) seeking public comments in advance of the upcoming Extraordinary Universal Postal Union Congress in September of this year to be held in Ethiopia. We firmly believe that there is a multitude of issues in need of immediate attention, and further delays in addressing them will only result in greater debts for the United States Postal Service (USPS) and job losses in America.

As noted by your commission's FY 2017 Annual Compliance Determination Report, the USPS lost $170 million on inbound international mail, a stark increase from the $134.5 million loss in FY 2016. Moreover, cost coverage for each piece of inbound international mail has declined from 66.4% in FY 2016 to 63.3% in FY 2017. Many have trumpeted the 13% increase in terminal dues rates that went in to effect at the start of this year, but that increase does not come close to covering the full cost and will probably be overcome by the expected major increases in the volume of e-commerce parcels.

These serious financial losses come despite previous assurances from the USPS that it would achieve cost coverage for inbound international mail by the start of this year. In a letter of August 16, 2016 from Deputy Postmaster General Ronald A. Stroman, "Based on the Postal Service's projections, the proposed UPU terminal dues rates for packets is expected to move the Postal Service from a loss (negative cost coverage under UPU terminal dues rates) to positive cost coverage for letters, flats, and packets in the first year of implementation of Congress decisions (beginning January 1, 2018)." Given the current financial outlook, we find it difficult to see that the USPS will be able to meet this projection for attaining cost coverage for inbound international mail.

In our past correspondence with the USPS, they boast of making a profit on international mail, but this claim comes with significant problems that are well known to the PRC. The USPS continues to dismiss their losses on inbound international mail under terminal dues because in their view it is made up by profits on outbound international mail. This may sound assuring, but in reality, this means that American postal ratepayers are paying more than they should for their international shipping needs so that the USPS can subsidize inbound international mail. USPS is mixing apples and oranges and claiming that it is unfair to criticize the low price of apples when you consider the revenue from oranges. This is completely counter to how these products are regulated for legal compliance under the law and by the PRC. Frankly, our constituents should not be treated in this manner, and this further places our own businesses at an even deeper disadvantage against foreign competition for many markets.

Beyond just the matter of cost coverage and its burden on the postal ratepayer, this subsidy for inbound international packages provides an uneven playing field for our domestic businesses. In many cases, it is cheaper to send a package from China to anywhere in the United States than to mail one from across the street. This imbalance allows foreign merchants to undersell our own companies with lower shipping costs. As this problem has become more pronounced, we are hearing from more constituent companies that are losing business to foreign competitors that are being enabled by our own USPS. Sadly, many companies do not even know that they have a major problem with foreign shippers being able to undercut them on postage costs or, as in the case of the recently submitted letter from Dexus International to this docket, they only recently became aware of this major threat to their business. We would call your attention to this line from the Dexus International letter, "This has forced us to seek cost cutting measures including layoff. We are also considering moving our order fulfillment center to China---because of the massive terminal dues inequity, the cost of shipping product orders from halfway around the world would be cheaper for us than shipping the product locally." We appreciate your assistance in helping level the playing field for Dexus International and other domestic companies so that we can keep them and the jobs they support in America.

It is clear from studies published by the PRC that terminal dues system creates several types of distortions. These include distortions with respect to (i) competition between US merchants and foreign online merchants; (ii) competition between U.S. carriers and foreign post offices in the conveyance of foreign documents and goods to the U.S. for delivery by the USPS or other entities (services which are not "competitive products" of the USPS because they are products for foreign postal operators); and (iii) competition between USPS and U.S. carriers for the delivery of foreign goods transported to the U.S. by foreign posts. The current terminal dues system also distorts competition by disadvantaging non-postal operators in seeking to deliver competitive products in foreign markets. Moreover, UPU provisions closely related to terminal dues, including provisions relating to fixing rates for delivery of postal parcels, restraining remail competition, and limiting competition between post offices operating outsider their national territories also distort competition. In sum, the current terminal dues system and related provisions are completely counter to and undermine the statutory policy mandated by section 407(a)(2) of title 39 of achieving unrestricted and undistorted competition in cross-border delivery services in many ways.

The Commission is required to take the policies of title 39 such as 407(a) into account (section 3622 (c)(14)) when assessing whether terminal dues are consistent with the standards and criteria of law, pursuant to section 407(c)(1). As you are aware, we have introduced legislation to address this imbalance, H.R. 5524. The PRC already has such statutory authority to do so, but to date the PRC has failed to muster a majority of Commissioners willing to act. Therefore, our legislation would mandate that the PRC finally require the Postal Service to implement rates that ensure parity with inbound international packages and domestic mail. This bill would restore competitive balance for our domestic companies and close a drain on the USPS financial balance sheet. At a time when the USPS faces considerable tough choices in efforts to return to profitability, this should be the easiest choice to make. We cannot ask our postal ratepayers, employees, and retirees to shoulder additional burdens while we still subsidize inbound international packages from China.

In conclusion, we respectfully ask the PRC to advise the American delegation to the Extraordinary UPU Congress to reject any proposal that continues to burden the USPS with financial losses or that places our domestic businesses at a competitive disadvantage. Thank you for your continued service on this very important issue.

Sincerely,

Hon. Kenny Marchant
Member of Congress

Hon. Ralph Abraham
Member of Congress